

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 15, 2008

Bill Number: H.B. 4524

Author: Bingham and Kirsh

Committee Requesting Impact: House Ways and Means Committee

Bill Summary

To amend Section 12-36-2120, as amended, Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to clarify that the exemptions allowed for otherwise qualifying durable medical equipment and medical supplies must be sold pursuant to written prescription or certificate of medical necessity; and to amend Act 99 of 2007, relating to sales tax exemptions, so as to revise the schedule of the phase-in of the sales tax for durable medical equipment and related supplies and to eliminate the revenue growth requirement for the phase-in of this exemption.

REVENUE IMPACT ^{1/}

This bill is expected to reduce state sales and use tax revenues by an estimated \$1,911,000 in FY2008-09. Of this total, \$1,274,000 will be a reduction in General Fund sales and use tax revenues, \$318,500 will be a reduction in EIA funds, and \$318,500 will be a reduction in Homestead Exemption funds for homeowner tax relief. This bill is expected to reduce state sales and use tax by a total of \$12,582,000 by FY2012-13 when fully implemented. Of this total, \$8,388,000 will be a reduction in General Fund sales and use tax revenues, \$2,097,000 will be a reduction in EIA funds, and \$2,097,000 will be a reduction in Homestead Exemption funds for homeowner tax relief.

Explanation

This bill would amend Act 99 of 2007 by revising the sales tax exemption phase-in schedule for durable medical equipment (DME) and related supplies paid directly by funds under the Medicare or Medicaid programs. Currently, the sales and use tax rate on qualifying durable medical equipment and medical supplies is five and one-half percent. Under current law, the sales and use tax rate on qualifying DME may be reduced by one percentage point beginning July 1, 2008 if the growth rate in General Fund revenue for the upcoming fiscal year is forecasted to be at least five percent. This bill deletes the revenue growth requirement for the phase-in of the sales tax exemption and reduces the sales and use tax rate for qualifying DME at four and one-half percent starting July 1, 2008. The sales and use tax rate would then be reduced to three percent starting July 1, 2009, and this process would continue in one percentage point increments until the sales and use tax on qualifying DME is wholly eliminated starting July 1, 2012. The BEA estimates that taxable Medicare/Medicaid DME sales in South Carolina will total \$191,099,786 in FY2008-09. Reducing the sales tax by one percentage point on the sales of taxable qualifying DME is expected to reduce state sales and use tax by an estimated \$1,911,000 in FY2008-09. Of this total, \$1,274,000 will be a reduction in General Fund sales and use tax revenues, \$318,500 will be a reduction in EIA funds, and \$318,500 will be a reduction in Homestead Exemption funds for homeowner tax relief. This bill is expected to reduce state sales and use tax by a total of \$12,582,000 by FY2012-13 when fully implemented. Of this total, \$8,388,000 will be a reduction in General Fund sales and use tax revenues, \$2,097,000 will be a reduction in EIA funds, and \$2,097,000 will be a reduction in Homestead Exemption funds for homeowner tax relief.

/s/ William C. Gillespie

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.